

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 COME-00 EB-11 INT-08 L-03 CIAE-00

INR-10 NSAE-00 RSC-01 TRSE-00 OMB-01 SPC-03 SAM-01

AID-20 DRC-01 /080 W

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R 192030Z FEB 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6327

C O N F I D E N T I A L TEGUCIGALPA 0702

E.O. 11652: GDS

OBTAGS: EIND, EAGR, HO, US

SUBJECT: IMPLEMENTATION OF DECREE 103

REF: STATE 029640

SUMMARY: REFTTEL APPARENTLY DELAYED IN TRANSMISSION

SINCE IT COVERED FEB. 6 CONVERSATIONS BUT WAS RECEIVED
FEB. 14. RECAPITULATION EMB REPORTING SINCE FEB. 6 NOT
NECESSARY, BUT COMMENTS ON HELCO AND VIKING VIEWS IN LIGHT
CURRENT EMB UNDERSTANDING MIGHT BE USEFUL. END SUMMARY.

1. TAX BILL ON HELCO, WAS SURPRISE TO EMB. IT WAS ALSO
SURPRISE TO REYES. EMB DETECTS NO CHANGE OF ATTITUDE
TOWARD HELCO IN COHDEFOR. TAX AUTHORITIES ARE OPERATING
INDEPENDENTLY, ALTHOUGH KEEPING COHDEFOR ADVISED ON LUMBER-
RELEVANT ISSUES.

2. FONTAN OF HELCO STATED HIS CONCERN TO DEPT ABOUT
APPARENT COHDEFOR INABILITY TO DECIDE HOW TO TAKE-OVER
INDUSTRY. CONCERNING EXPORTERS, REYES SAYS HE NEEDS THEM,
AND THEY NEED HIM, AND HE TALKED WITH SEVERAL ABOUT A
"PARTNERSHIP." IN THIS INSTANCE, TAKE-OVER IS RELATIVE
TERM. CLEARLY, REYES KNOWS TOO LITTLE ABOUT EXPORT
BUSINESS TO DECIDE INITIALLY WHAT A PARTNERSHIP OR
WORKABLE RELATIONSHIP MIGHT BE. WE BELIEVE HE CAN
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RESPOND TO PROPOSALS AGAINST THE REQUIREMENTS OF

DECREE 103, BUT CANNOT GENERATE PROPOSALS. FOR THIS REASON, WE ADVISE THE EXPORTING COMPANIES TO MAKE WELL REASONED PROPOSALS IN ORDER TO START NEGOTIATIONS MOVING- DISCUSSION OF THE EXPORTER OPERATING FOR A FEE STARTED WITH HELCO EARLIER THIS WEEK. REYES, APPARENTLY WITH THAT IN MIND, RAISED THAT POSSIBILITY WITH MADERERA HIBUERAS FEB 19. THIS DOES NOT SUGGEST THAT ALL EXPORTERS MUST BE ON A FEE BASIS. IT DOES SUGGEST THAT EXPORTERS SHOULD EXAMINE AND PRESENT WHAT THEY REASONABLY NEED TO CONTINUE (OR DISCONTINUE) OPERATIONS.

3. RE 20 PERCENT WITHHOLDING, REYES PROMISES VERY QUICK REVIEW OF COMPANY ACCOUNTS IN ORDER TO MAKE REBATES AND ADJUST WITHHOLDING PERCENTAGE. TO EMBASSY'S KNOWLEDGE, NO COMPANY HAS YET PRESENTED BOOKS. EMBASSY HAS INDICATED TO GOH NECESSITY FOR RESOLUTION OF PROBLEMS, BUT COMPANIES MUST LIKEWISE COOPERATE.

4. ON SICRE/MARACA, EMBASSY SENSES VERY DIFFICULT ROAD AHEAD. REYES' INFORMATION IS THAT COMPANY NOT A "GOING CONCERN" AND HAS BAD INVESTMENT AND FINANCIAL POSITION LONG ANTIDATING DECREE 103. REYES MAY HAVE ACCOMMODATING INSTINCTS, BUT HE IS UNLIKELY TO COMMIT COHDEFOR RESOURCES TO WHAT HE CONSIDERS A BAD VENTURE.

5. BECAUSE EXPORTERS ARE MOVING INVENTORIES BY EXPORTING, MOST SERIOUS COHDEFOR PROBLEM AT MOMENT IS FINANCING TO KEEP SAWMILLS OPERATING AND DELIVERING TO EXPORTERS' YARDS. THIS PROBLEM TURNS ON FINANCING WHICH IS BEYOND EXPORTERS. COHDEFOR'S PURCHASE OF 1.2 MILLION LEMPIRA ROUGH WOOD OBLIGATIONS OF HELCO WAS COHDEFOR ACCOMMODATION TO HELCO, NOT A WORKABLE PATTERN FOR FUTURE.

6. EXOGENOUS FACTOR IS REPORTED WEAKENING OF WORLD MARKET PRICES FOR HONDURAN NUMBER TWO PINE.

7. EMBASSY HAS BEEN UNABLE TO MAKE INITIAL CONTACT WITH EXPORTER JAMES SMITH/ED GATLIN COMPANY. SICRE HAS NOT BEEN IN. ONE BRIGHT ELEMENT IS INTERNATIONAL WOOD PRODUCTS WHICH HOPES TO SETTLE ITS LONG-STANDING PROBLEM OF RAW
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MATERIAL LUMBER SUPPLY BY OBTAINING TIMBER CUTTING RIGHTS FROM COHDEFOR. APPLICATION SUBMITTED THIS WEEK AND RAPID RESPONSE PROMISED.

8. FYI. CERTAIN US COMPANIES HAVE RETAINED PROMINENT ATTORNEYS WHO ARE IN OLMN AND SOMETIMES LOUD OPPOSITION TO PRESENT GOVERNMENT. EMBASSY CANNOT PRY INTO ATTORNEY/CLIENT RELATIONS, BUT WE HAVE HEARD INDICATIONS THAT THESE ATTORNEYS

ARE GIVING HARD-NOSE ADVICE, E.G. GET OUT OF COUNTRY. WE
HOPE COMPANIES WILL AVOID BEING USED AS COUNTERS IN SOMEONE
ELSE'S GAMES. AT THIS EARLY STAGE OF COHDEFOR'S
SEEKING A WAY, THE BEST ROUTE FOR COMPANIES IS TO
ESTABLISH AND MAINTAIN DIRECT COMMUNICATIONS WITH
RESPONSIBLE GOH OFFICIALS, AND WE CANNOT REEMPHASIZE
THIS TOO OFTEN. END FYI.
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